
OLR Bill Analysis

HB 5596 (as amended by House "A")*

Emergency Certification

AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND REVENUES FOR THE FISCAL YEAR ENDING JUNE 30, 2015.

SUMMARY:

This bill modifies appropriations and revenue estimates for FY 15 and makes various state tax and revenue changes.

A full summary of the bill's budget provisions (§§ 1-44 & 55) may be found in the Office of Fiscal Analysis' fiscal note. A section-by-section analysis of the bill's revenue provisions (§§ 45-54 & 56) appears below.

*House Amendment "A" modifies previously adopted revenue estimates for FY 15.

EFFECTIVE DATE: Various, see below.

§§ 1-44 & 55 — BUDGET ADJUSTMENTS

Please refer to the fiscal note for an explanation of these sections.

§ 45 — CONNECTICUT TELEVISION NETWORK (CT-N) FUNDING

Beginning in FY 15, the bill increases, from \$2.5 to \$3.2 million, the amount the comptroller must set aside from the cable television companies' tax each fiscal year to defray the Office of Legislative Management's cost to provide Connecticut Television Network coverage of state government deliberations and public policy events.

EFFECTIVE DATE: Upon passage

§ 46 — MUNICIPAL REVENUE SHARING GRANTS

The bill requires the Department of Revenue Services commissioner to deposit \$12.7 million of sales and use tax payments for FY 15 into

the Municipal Revenue Sharing Account (MRSA). It requires the Office of Policy and Management (OPM) secretary to distribute the funds to municipalities according to a specified municipal revenue sharing formula. Under the formula, the grants are distributed as follows:

1. 50% on a per capita basis, and
2. 50% according to an existing property tax relief formula that apportions funds based on a municipality's population, adjusted equalized net grand list per capita, and per capita income of town residents.

These grants were previously funded through MRSA by a portion of sales, luxury, and state real estate conveyance tax revenue.

EFFECTIVE DATE: July 1, 2014

§§ 47-48 — SALES TAX EXEMPTIONS

Clothing and Footwear

The bill delays, from June 1, 2015 to July 1, 2015, the effective date of a sales and use tax exemption on clothing and footwear costing less than \$50. The exemption was enacted in 2013 (PA 13-184).

EFFECTIVE DATE: July 1, 2014

Nonprescription Drugs and Medicines

Beginning April 1, 2015, the bill exempts from the sales and use tax nonprescription drugs and medicines for use in or on the body. The exemption applies to vitamin and mineral concentrates, dietary supplements, and natural or herbal drugs or medicine; cough, cold, asthma, allergy, or antihistamine products; antacids, laxatives, anthelmintics, emetics, and antiemetics; analgesics, antibiotic, antibacterial, antiviral, antifungal, antidiarrheal, and steroidal medicines; antiseptics, astringents, and anesthetics; and any eye, ear, or nose medication. It does not apply to cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps, or deodorants.

An identical sales and use tax exemption was eliminated in 2011 (PA 11-6).

EFFECTIVE DATE: July 1, 2014, and applicable to sales occurring on or after April 1, 2015.

§ 49 — ADMISSIONS TAX EXEMPTION

The bill exempts admission charges for events held at the XL Center in Hartford from the 10% admissions tax.

EFFECTIVE DATE: July 1, 2014

§ 50 — INCOME TAX EXEMPTION FOR TEACHER PENSIONS

The bill exempts a portion of state teachers' retirement system (TRS) income from the income tax. It does so by allowing taxpayers, when calculating Connecticut adjusted gross income for state income tax purposes, to deduct 10% of TRS income for the 2015 tax year, 25% for the 2016 tax year, and 50% for 2017 and subsequent tax years.

EFFECTIVE DATE: July 1, 2015, and applicable to tax years beginning on or after January 1, 2015.

§ 51 — ANGEL INVESTOR TAX CREDIT

The bill extends the sunset date for the angel investor tax credit program from July 1, 2014 to July 1, 2016. By law, the angel investor tax credit program provides personal income tax credits for people investing at least \$25,000 in start-up, technology-based Connecticut businesses approved for such credit-eligible investments.

Current law requires Connecticut Innovations, Inc. (CII) to review the credit's effectiveness by July 1, 2014. The bill (1) requires CII to conduct this review annually, beginning on or before July 1, 2014; (2) specifies that CII must review the credit's cumulative effectiveness; (3) requires it to report its findings to OPM, in addition to the Commerce Committee; and (4) identifies certain elements that CII must include in its report.

Under the bill, the annual report must include the:

1. number, type, and current status of Connecticut businesses that received angel investments;
2. number and type of angel investors;
3. aggregate amount of cash investments;
4. number of employees each business employed in each year following the year in which it received the angel investment; and
5. each business' economic impact in the state.

EFFECTIVE DATE: Upon passage, and applicable to tax years beginning on or after January 1, 2014.

§§ 52-53 & 56 — REPEAL OF KENO

The bill repeals the authorization for the state to operate keno as a lottery game. It does so by eliminating the authority of the (1) Connecticut Lottery Corporation (CLC) to introduce keno as a lottery game and (2) OPM secretary, on the state's behalf, to enter into separate profit-sharing agreements with the Mashantucket Pequot and Mohegan Tribes concerning CLC's operation of keno. Under current law, the agreements must require the state to share with each tribe up to 12.5% of its keno profits.

Current law defines “keno” as a lottery game in which 20 numbers are drawn from a field of 80 numbers by a central computer system using a random number generator, a rabbit ear, or wheel system device using numbered balls. Players win prizes by matching numbers on a playslip to the drawn numbers.

EFFECTIVE DATE: Upon passage

§ 54 — GENERAL FUND TRANSFER TO THE SPECIAL TRANSPORTATION FUND (STF)

The bill eliminates a \$2.1 million transfer to the STF from the General Fund for FY 15.

EFFECTIVE DATE: July 1, 2014

§§ 501-510 — REVENUE ESTIMATES

The bill modifies previously adopted revenue estimates for FY 15 for nine of the state's 10 appropriated funds as shown in Table 1.

Table 1: Modified FY 15 Revenue Estimates

| <i>Fund</i> | <i>Current Law</i> | <i>Bill</i> |
|--|---------------------------|--------------------|
| General Fund | \$17,500,700,000 | 17,459,362,000 |
| Special Transportation Fund | 1,322,700,000 | 1,328,400,000 |
| Mashantucket Pequot & Mohegan Fund | 61,800,000 | 61,780,000 |
| Regional Market Operation Fund | 1,000,000 | 1,029,000 |
| Banking Fund | 27,847,000 | 28,800,000 |
| Insurance Fund | 31,968,000 | 68,345,000 |
| Consumer Counsel & Public Utility Control Fund | 25,384,000 | 25,600,000 |
| Workers' Compensation Fund | 25,235,000 | 27,251,000 |
| Criminal Injuries Compensation Fund | 3,310,000 | 3,355,000 |

EFFECTIVE DATE: July 1, 2014